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S E C R E T SECTION 01 OF 02 TOKYO 003432

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SUBJECT: SCENESETTER FOR THE DEPUTY SECRETARY

Classified By: AMBASSADOR J. THOMAS SCHIEFFER, REASONS 1.4(B),(D).

¶1. (C) We very much look forward to your visit to Tokyo. As you touch down, please be prepared for some political turbulence.

¶2. (C) The Liberal Democratic Party (LDP) appears to be headed for a crushing defeat in the July 29 elections for the Diet's Upper House. Every poll, and every pundit we have spoken with, predicts the LDP-Komeito coalition will lose its majority in the Upper House. That in itself is not fatal, as the Upper House is by far the weaker of the two chambers, with the power of the purse residing in the Lower House. Nevertheless, there is a strong tradition in Japan for a political leader to take responsibility for a dramatic electoral setback by resigning, and the knives could be out for Prime Minister Shinzo Abe, who lacks a strong power base of his own within the LDP.

¶3. (C) Abe's initial response to revelations that the government had "lost" 50 million pension records may cost him the election. At first, Abe insisted that individuals without copies of their own payment records would not receive pension benefits. That political blunder was compounded by Abe's failure to maintain the aggressive reformist line espoused by former Prime Minister Koizumi. Although Japan's economy, buoyed by new business investment and strong exports, continues to enjoy sustained economic growth, wages remain stagnant and there is a general sense among Japanese that their standard of living is not improving. However, instead of boldly advancing the measures needed to inject energy and efficiency in the economy, Abe has looked to win over many of the "losers" from reform with promises of renewed government assistance. It is an approach that Japan, whose outstanding government debt is nearly double its GDP, cannot afford.

¶4. (C) Regardless of whether PM Abe and his cabinet survive the election, we will still be dealing with an LDP-Komeito coalition government. And the cast of characters almost certainly will be senior politicians we know well.

Accordingly, your agenda and the overall objectives of your visit should remain unchanged, despite whatever political machinations may be rumbling in the background.

¶ 15. (C) The U.S.-Japan security alliance, which provides the foundation for peace and stability throughout the region, is in excellent shape. Just over a year ago, we reached agreement -- formalized at the May 2006 "2 Plus 2" meeting of State and Defense Secretaries and their counterparts -- to realign our forces in Japan while, at the same time, increasing interoperability and better defining our respective roles and missions. Some Japanese politicians would like to tinker with that hard-won agreement, which serves both sides very well. We must firmly resist any such moves. Your meeting with the Defense Minister affords an opportunity to publicly reaffirm our mutual commitment to do what is necessary to relocate and restructure our forces as quickly as possible, as already agreed to.

¶ 16. (S) Also in that meeting, but in this case privately, you should raise the issue of information security. We are attempting to move our relationship with Japan in the security and intelligence fields to a higher level. Recent incidents, however, demonstrate that Japan needs to take strong measures -- across interagency boards -- to put in place policies and practices that will protect the information exchange that would accompany a higher level of cooperation. Those on the Japanese side who are with us on this issue tell us that a certain amount of outside pressure from senior USG officials will be helpful in achieving this goal.

¶ 17. (C) North Korea is high on both of our agendas. Japan  
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shares our overall objectives of denuclearizing North Korea and advancing peace and stability on the Korean Peninsula as well as in the region. The unresolved matter of Japanese citizens abducted by North Korean agents in the 1970s and 1980s, however, remains an issue of powerful emotional and political force in Japan. You can reiterate, particularly with the Prime Minister and Foreign Minister, that while denuclearization remains our primary goal, we will continue to use every opportunity to press the North Koreans to satisfactorily resolve the abductee issue and improve overall relations with Japan.

¶ 18. (C) Japan's initial reaction to our proposal for a Northeast Asia security mechanism has been at best lukewarm. While pleased that we are willing to take a fresh look at regional architecture, GOJ officials do not want the proposed mechanism to give any other country in the region a role in our bilateral security alliance. Any hint that we would allow China or either Korea to weaken the Japanese-American special relationship could have devastating consequences. Japanese officials also insist that the mechanism focus only on confidence building measures on the Korean Peninsula and undertake broader discussions on Northeast Asia security only after settlement of the North Korean nuclear issue. That said, during your visit GOJ officials might be willing to agree to work with us on developing principles to guide a future mechanism.

¶ 19. (C) Cooperation with Japan is vital to many of our foreign policy priorities around the world. Japan is a major contributor to reconstruction and rehabilitation in Iraq and Afghanistan, and a firm supporter of the Middle East Peace Process. Your discussions with Vice Foreign Minister Yachi offer an ideal venue to address those challenges, as well as other issues such as dealing with the rise of China. As G-8 host next year, Japan will be key to formulating a consensus on the myriad of summit issues. In this area, Prime Minister Abe likely will want to discuss with you how his "Cool Earth 50" climate change proposal can dovetail with the President's initiative on climate change.

¶10. (C) Finally, we would note that the House of Representatives may pass the Honda Resolution on comfort women just before you arrive in Tokyo. The resolution is a lightning rod for Japanese conservatives who believe Japan has apologized enough for its past. Even some Japanese who support greater Japanese government efforts on this and other historical issues resent the Congress taking this action. The Secretary has advised Foreign Minister Aso to downplay the resolution, and we hope the government will not dwell on it, even if the Japanese press beats the drum. Our best approach is to note this was a grave human rights violation, that apologies have been extended by Japanese Prime Ministers, and that our relationship is best focused on the future rather than the past.

SCHIEFFER